

Record of  
Meeting at OMB

135675  
Name

FAA - Part 145  
Meeting

FAA-99-5836-562  
OR6

Phone #

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OPTIONAL FORM 99 (7-90)

FAX TRANSMITTAL	
To: Don Byrne	From: Bob Korte
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Fax #	Fax #
* of pages = 25	
GENERAL SERVICES ADMINISTRATION	



**U.S. House of Representatives  
Committee on Transportation and Infrastructure**

**Don Young  
Chairman**

**Washington, DC 20515  
July 24, 2001**

**James L. Oberstar  
Ranking Democratic Member**

**Miguel A. Jesus, Chief of Staff  
Michael Strachan, Deputy Chief of Staff**

**David Hornsby, Democratic Chief of Staff**

**The Honorable Mitchell E. Daniels, Jr.  
Director  
Office of Management and Budget  
New Executive Office Building  
727 17<sup>th</sup> Street, N.W.  
Washington, D.C. 20503**

**Dear Director Daniels:**

We are writing to express our concern about the approach being taken in the draft final rule currently under review by OMB to revise Part 145 of the Federal Aviation Regulations (FAR). These rules apply to the approximately 4,500 domestic and foreign repair stations certificated by the FAA to perform maintenance on U.S.-registered aircraft and related components.

We are told that the FAA intends to replace the existing Part 145 with the rule currently under review by your office. However, we are concerned that the draft final rule apparently does not address two of the most important issues that were contained in the Notice of Proposed Rulemaking (NPRM): a new ratings system (the basic charter under which repair stations operate) and mandatory quality assurance programs. Instead, the FAA has indicated that these issues will be addressed in a subsequent rulemaking.

The problem with this approach is that it likely will require repair stations to submit for FAA approval two major changes to their operating procedures. The first will be required if the rule currently at OMB is adopted, and the second when the ratings and quality assurance rules are issued in the future.

Although a complete rewrite of Part 145 is long overdue, it should not impose duplicative administrative burdens on the industry or FAA inspectors. Indeed, the FAA's piecemeal approach appears to be contrary to the provisions of section 1(b)(11) of Executive Order (E.O.) 12866, which requires each agency to "tailor its regulations to impose the least burden" on those affected.

We therefore urge OMB to send this rule back to the FAA with instructions to address all of the outstanding issues in a single rulemaking proceeding. In addition, the FAA should consider issuing a Supplemental Notice of Proposed Rulemaking so


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interested parties can have another opportunity to comment. This will improve the quality of the final product and help ensure that Part 145 is designed in the most cost-effective manner.

Earlier this month, we held a hearing to chastise the FAA for the time it takes to complete its rulemaking. However, it would be most unfortunate if the outcome of this hearing were that FAA issued incomplete rules that imposed additional burdens on the industry. Given the time it has already taken to revise Part 145, it would be better to send the draft rule back to the FAA with instructions to do the job thoroughly and correctly.

Thank you for your consideration.

Sincerely,

  
DON YOUNG  
Chairman

  
JOHN L. MICA  
Chairman  
Aviation Subcommittee

DY:dsc

cc: Hon. Jane Garvey, Administrator, FAA  
Hon. Norman Mineta, Secretary, DOT

# Office of Management and Budget

## Aviation Industry Presentation: Final Rule to Revise Part 145 of the Federal Aviation Regulations, 14 CFR Part 145

For further information, contact:

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July 26, 2001

## **Associations Represented**

**Aeronautical Repair Station Association (ARSA)** – repair stations serving air carrier and general aviation customers

**Aerospace Industries Association (AIA)** – major manufacturers of commercial, military and business aircraft, helicopters, aircraft engines, missiles, spacecraft, materiel and related components and equipment.

**Air Transport Association of America (ATA)** – major passenger and cargo airlines and other air carriers operating large aircraft

**Aircraft Electronics Association (AEA)** – repair stations, manufacturers and distributors of avionics and aircraft instruments

**Aircraft Owners and Pilots Association (AOPA)** – owners and operators of general aviation aircraft and pilots

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## **Associations Represented**

**Airline Suppliers Association (ASA)** – suppliers of replacement parts to the aviation industry

**General Aviation Manufacturers Association (GAMA)** – manufacturers of fixed-wing general aviation aircraft, engines, avionics and component parts

**National Air Carrier Association (NACA)** – scheduled and charter passenger and cargo operators of large aircraft

**National Air Transportation Association (NATA)** – aviation business service providers, including fixed-base operators, on-demand operators of aircraft and repair stations

**Professional Aviation Maintenance Association (PAMA)** – aviation maintenance technicians

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# **Companies Represented**

**The Boeing Company**

**General Electric Aircraft Engines**

**Goodrich**

**Honeywell**

**Rockwell Collins**

**United Technologies Corporation**

## **Joint Industry Request**

- One rule, completely re-writing Part 145
- Supplemental Notice of Proposed Rulemaking consisting of –
  - Pending Final Rule at OMB
  - New ratings system
  - Address quality assurance issues
- As FAA promised in the NPRM, guidance material should be issued at the same time the final rule is issued.
  - So when rule is published, companies can begin moving toward compliance.
- Realistic compliance date

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## E.O. 12866

- Agencies should select those approaches that **maximize net benefits** (section 1(a)).
- An agency shall design its regulations in the **most cost-effective manner** to achieve the regulatory objective (section 1(b)(5)).
- Each agency shall assess both the costs and benefits of the intended regulation and... **adopt a regulation only upon a reasoned determination that the benefits of the intended regulation justify its costs.** (section 1 (b)(6)).
- Each agency shall tailor its regulations to impose **the least burden** on... businesses of differing sizes... consistent with obtaining the regulatory objectives... (section 1 (b)(11)).

**\*Emphasis added**

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## June 1999 NPRM

- “To ensure that regulations are appropriate for today’s repair station industry, **the FAA has determined that Part 145 should be completely revised.**” (64 FR 33412, June 21, 1999)
- “Based on the public meetings, comments to Docket 25965, and the FAA’s review of related comments, **the FAA is proposing to revise Part 145 completely.**” (64 FR 33413, June 21, 1999)

\*Emphasis added

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## **What is Apparently Not Included in the Rule at OMB**

- **New ratings system**
- **Disposition of quality assurance issues**

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## **The Need for a New Ratings System**

- **What are ratings?** They are the repair station's authorization to perform work on certain products or classes of products. It is a violation to perform work outside the authorized ratings.
- **FAA Notice of Meeting (54 FR 30866, July 24, 1989)**  
“The rules [on ratings] should be reviewed and amended to reduce the number of certification actions and the need for exemptions as is presently the case.”
- **NTSB Accident Report, ValuJet Airlines Flight 597, June 8, 1995**  
“The Board remains convinced that the language of [the repair station's] operations specifications does not readily comport with the FAA's position [that the repair station could not perform powerplant overhauls], and the Safety Board is concerned about the extent of the authority of other repair stations...”

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## **The Need for a New Ratings System**

- **FAA FSAW 97-17A (Extended) (July 24, 1997)**  
“Internal evaluations and the [NTSB] have identified that there is a **lack of standardization** regarding issuance of repair station certificates and operations specifications...”
- **FAA NPRM (64 FR 33142, June 21, 1999)**  
“...when the current powerplant ratings were established, turbine engines were just beginning to be used on civil aircraft.” (at 33146)  
“The FAA proposes to establish a new rating for computer systems to include technology that was not used in aircraft when the current rating system was instituted.” (at 33147)  
“Because [Auxiliary Power Units] were not widely used when the current Part 145 was established, no provisions for them were specifically included in the regulations.” (at 33147)

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## **The Need for a New Rating System**

- In response to NTSB recommendation A-96-078, the FAA conducted a survey of certificated repair stations.
- The FAA found: (Source: NTSB Recommendation Report)
  - 53 repair stations were operating beyond their certificate privileges
  - 134 repair station operations specifications were reissued
  - 108 repair stations received rating changes
  - 16 repair stations were recertified
- The only guidance material issued by the FAA to clarify the ratings system for its inspectors related to limited, specialized services repair stations. (HBAW 97-09, July 17, 1997; FSAW 97-17A, July 24, 1997)

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## **Why a Flawed Rating System Hurts U.S. Repair Stations**

- Repair stations performing the same work are not always given the same rating.
  - class vs. limited ratings
  - lack of clear guidance on the type of work authorized by other ratings... results in lack of standardization and enforcement cases.
- Repair stations with limited ratings (limited to specific make, model or part) are at a competitive disadvantage against those who have class ratings (i.e., turbine engines)
  - limited rating: adding another make, model or part requires a change of rating
  - class rating: authorizes work on any article within the class
- Customers prefer to use facilities with class ratings rather than limited ratings... fewer questions arise about the limits of the repair station's authority.

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# **Inspection Procedures Manual**

## **Current Section 145.45**

- Manual must explain the internal inspection system
- Must be understandable and available to all employees
- Must state the inspection requirements “in detail” including –
  - Continuity of inspection responsibilities
  - Sample inspection forms and execution
  - Must refer to the manufacturer’s standards

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# **Proposed New Repair Station Manual**

(Proposed Section 145.207)

- procedures for self-evaluations
- a list of the maintenance functions contracted to an outside facility
- maintenance and alterations procedures for work performed for air carriers and commercial operators
- description of recordkeeping system
- capabilities list
- procedures for revising the repair station's manual
- date of latest revision, list of effective pages, table of contents, list of revisions
- procedures for changes in location and facilities

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## **Why Two Rules are Burdensome**

- Rule at OMB imposes many new requirements, including a greatly expanded Repair Station Manual.
- The new manual must be developed by the repair station and submitted to the FAA for approval.
- FAA inspectors must review the entire manual, comment on changes they believe are necessary and “negotiate” with repair stations about the final content.
- The process is costly, burdensome and time-consuming. It should only be done once.

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## **Why Two Rules are Burdensome**

- Today, due to inspector workload, the FAA may take weeks to review a proposed change to a repair station's manual.
- When a second rule is issued, the entire Repair Station Manual will be potentially affected and further amendments will be required.
- In addition, the FAA will be required to issue new repair station certificates and operations specifications – a process the agency acknowledges will impose administrative burdens on the industry. (64 FR 33148, June 21, 1999)

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## Sale of Repair Stations

- **Current section 145.14**: New or amended certificate required when repair station sells or transfers its assets.  
**Note**: Stock purchase generally does not require FAA approval because the entity holding the certificate remains the same, as does the housing, facilities, equipment and personnel.
- **Proposed section 145.57**: “The privileges of a repair station certificate cannot be transferred if the repair station is sold, leased or otherwise conveyed.”
- Unless changed in the final rule, this more restrictive proposal erects new impediments to many types of commercial transactions.
- The FAA did not acknowledge this substantive change in the NPRM preamble. The agency said the proposal “clarified” existing requirements.

## **Approved Training Programs**

- Not required under today's rules
- **FAA NPRM:** "Because repair stations activities vary greatly, information about the specific training needed to satisfy the requirements of the proposed rule would be **published in advisory material that would be issued with this rulemaking.**" (64 FR 33150)

**Industry Concern:** We have heard rumors that the guidance material has not been prepared.

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## **Cost-Benefit Issues**

- **FAA NPRM**
  - **benefits of the rule would justify its costs (did it consider cost of two rulemakings in the final rule?)**
  - **the rule would not have a significant impact on a substantial number of small entities**
  - **\$33.3 million is estimated net cost of compliance after subtracting cost savings**
  - **\$5,000 per repair station annual cost of compliance**

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## Industry Cost Information

- Aerospace Industries Association: Approximately \$500,00 per repair station to comply with proposed rules.
- United Technologies Corporation (Pratt & Whitney, Hamilton Sundstrand and Sikorsky) Based on a 1999 economic analysis involving UTC's 20 repair stations at that time, the company concluded that:
  - Average repair station initial cost - \$1.05 million (total of \$21 million)
  - Average repair station annual cost - \$522,000 (total of \$11 million)
  - As a result of its recent acquisition of Sundstrand and other companies, UTC now operates 54 repair stations.

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# NPRM 145 Cost Per Repair Station Impact Areas for United Technologies Corporation

(Data Taken from Submitted NPRM Commentary: Docket Number FAA-1999-5836)

SECTION	COST IMPACT REASON	COST (In Thousands)	
		Initial	Annual
145.7(a)**	Mandate 145's Act As 121's	\$450.0 - \$500.0	\$55.0 - \$60.0
145.61	Implementation By Rating Change	\$18.0 - \$17.0	\$0.5 - 0.8
145.159(a)	Training Program	\$130.0 - \$138.0	\$100.0 - \$110.0
145.201(a)(1-2)***	Establish QA and QC Systems	\$140.0 - \$150.0	\$140.0 - \$150.0
145.203	Capability List	\$1.5 - \$2.0	\$1.0 - \$1.5
145.207(d)(1-5)	QA System(s)	\$30.0 - \$35.0	\$15.0 - \$18.0
145.207(h)	Subcontractor List With Ratings	\$70.0 - \$75.0	\$35.0 - \$40.0
145.211(d)	Certificated Repairmen Issue	\$30.0 - \$35.0	\$15.0 - \$18.0
145.213(a)(1-2)	Contracting Out	\$140.0 - \$145.0	\$140.0 - \$145.0
****Δ	Average Cost Per Repair Station	\$1,052.3	\$522.4
****	Total Average Cost for 20 Repair Stations- UTC Subtotal	\$21,045.0	\$10,447.5
Special Costs****	////////////////////////////////////	////////////////////////////////	////////////////////////////////
General - MMF	Conversion to FAR 145 - 5 Sites - UTC Total	\$100.0	\$25.0
145.57(b)	Transfer to FAR 145 (Ownership) Estimate (5) stations within 2-Year Window	\$16.0 - \$17.0	\$0
145.213 (c)	Contracting Out of Complete TC Product - 3 Engine Overhaul Shops Only	\$0	\$300.0 - \$375.0 Δ
	UTC Subtotal	\$115	\$400
	UTC Grand Total (Rounded)	\$21,000	\$11,000

\*\* Initial Training Included in Line-Item - General Recurrent Training in 145.159(a)

\*\*\* Savings of \$13,000/Repair Station Subtracted from Costs

\*\*\*\* Costs Based on 200 Person Shop

Δ This Is Higher Rounded Range Number In NPRM

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## **If The Final Rule at OMB is Adopted...**

- A significant portion of the existing Part 145 would be revised.
- No significant increases in safety would result.
- The portion of the rules most in need of revision (ratings) would remain unchanged.
- The rule will not require compliance for 18-24 months.
- The FAA guidance material needed to achieve compliance has not been drafted.
- Repair stations certificated by the Joint Aviation Authorities of Europe and other countries will still be required to undergo separate inspections...and repair stations will still be required to address the requirements of each international body.

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## **If The Final Rule at OMB is Adopted...**

- Nearly 5,000 repair stations would be forced to undergo essentially a "double re-certification" of their operations for the FAA, imposing significant additional costs.
- This will undermine the competitive position of U.S. repair stations.
- FAA Inspectors will also spend more time in this duplicative administrative process.
- A "complete re-write" of Part 145 should be accomplished in a single proceeding.
- Issuing a complete SNPRM will improve the quality of the final product... and minimize the burdens imposed on government and industry.

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